



April 22, 2014

## Cree Reports Financial Results for the Third Quarter of Fiscal Year 2014

### Quarterly Revenue Increased 16% Year-over-Year to \$405 million Quarterly Net Income Increased 27% Year-over-Year to \$28.2 million

DURHAM, N.C., April 22, 2014 - Cree, Inc. (Nasdaq: CREE), a market leader in LED lighting, today announced revenue of \$405.3 million for its third quarter of fiscal 2014, ended March 30, 2014. This represents a 16% increase compared to revenue of \$348.9 million reported for the third quarter of fiscal 2013. GAAP net income for the third quarter was \$28.2 million, or \$0.23 per diluted share, an increase of 27% year-over-year compared to GAAP net income of \$22.2 million, or \$0.19 per diluted share, for the third quarter of fiscal 2013. On a non-GAAP basis, net income for the third quarter of fiscal 2014 was \$47.7 million, or \$0.39 per diluted share, an increase of 17% year-over-year compared to non-GAAP net income for the third quarter of fiscal 2013 of \$40.8 million, or \$0.34 per diluted share.

"Fiscal Q3 was a solid quarter as revenue and operating income were in line with our target range and the business is well positioned to grow in fiscal Q4," stated Chuck Swoboda, Cree Chairman and CEO. "These results once again demonstrate our ability to deliver strong operating results while continuing to make longer term investments in new technology and building the Cree brand."

#### Q3 2014 Financial Metrics

(in thousands, except per share amounts and percentages)

	Third Quarter		Change	
	2014	2013		
	(unaudited)	(unaudited)		
Revenue, net	\$ 405,259	\$ 348,934	\$ 56,325	16%
<b>GAAP</b>				
Gross margin	37.0%	38.1%		
Operating margin	7.5%	6.7%		
Net income	\$ 28,164	\$ 22,157	\$ 6,007	27%
Earnings per diluted share	\$ 0.23	\$ 0.19	\$ 0.04	21%
<b>Non-GAAP</b>				
Gross margin	37.8%	38.8%		
Operating margin	13.2%	12.9%		
Net income	\$ 47,710	\$ 40,761	\$ 6,949	17%
Earnings per diluted share	\$ 0.39	\$ 0.34	\$ 0.05	15%

- Gross margin decreased 50 basis points from Q2 of fiscal 2014 to 37.0% on a GAAP basis and decreased 40 basis points to 37.8% on a non-GAAP basis.
- Cash and investments increased by \$39.0 million from Q2 of fiscal 2014 to \$1.2 billion.
- Accounts receivable (net) increased by \$8.8 million from Q2 of fiscal 2014 to \$222.3 million, with days sales outstanding of 49.
- Inventory increased \$16.8 million from Q2 of fiscal 2014 to \$251.2 million, with days of inventory of 89 days.

#### Recent Business Highlights:

- Introduced SmartCast™ Technology, the first self-programming wireless lighting-control system that reduces energy consumption by more than 70 percent\* at half the cost of traditional lighting controls;
- Launched the new ZR Series LED troffer, delivering significant energy savings, superior color quality and an ultra-slim, sleek package starting at only \$99;
- Made The Biggest Thing Since the Light Bulb™ brighter and more affordable by lowering prices of the Cree® LED Bulb product line by as much as 23 percent, and introducing the first 100-watt replacement LED bulb to look and light like a light bulb;
- Achieved another significant LED milestone with the demonstration of 303 lumens per watt from a white, high-power LED;
- Demonstrated the first 200-lumen-per-watt (LPW) LED concept luminaire, which is more than twice the efficiency of the best linear fluorescent luminaires;

- Introduced three new CXA high-density LED arrays which, by doubling the light output of existing CXA LED arrays, enable the complete replacement of ceramic-metal-halide (CMH) light sources; and
- Released the XLamp<sup>®</sup> XB-H LED, the brightest discrete in Cree's high-density (HD) class of LEDs, delivering a breakthrough combination of lumen output and efficacy in a small package.

*\*Compared to traditional fluorescent luminaires without SmartCast Technology.*

## **Business Outlook:**

For its fourth quarter of fiscal 2014 ending June 29, 2014, Cree targets revenue in a range of \$430 million to \$460 million with GAAP gross margin targeted to be 36.8%+/- and non-GAAP gross margin targeted to be 37.5%+/- . Our GAAP gross margin targets include stock-based compensation expense of approximately \$3.2 million, while our non-GAAP targets do not. Operating expenses are targeted to increase \$7 million from Q3. The tax rate is targeted at 21.0%+/- for the fourth quarter of fiscal 2014. GAAP net income is targeted at \$28.2 million to \$36.3 million, or \$0.23 to \$0.29 per diluted share. Non-GAAP net income is targeted in a range of \$46.5 million to \$54.6 million, or \$0.38 to \$0.44 per diluted share. The GAAP and non-GAAP net income per diluted share targets are based on an estimated 124.0 million diluted weighted average shares. Targeted non-GAAP earnings exclude expenses related to the amortization of acquired intangibles and stock-based compensation expense of \$0.15 per diluted share.

## **Quarterly Conference Call:**

Cree will host a conference call at 5:00 p.m. Eastern time today to review the highlights of the fiscal 2014 third quarter results and the fiscal 2014 fourth quarter business outlook, including significant factors and assumptions underlying the targets noted above.

The conference call will be available to the public through a live audio web broadcast via the Internet. For webcast details, visit Cree's website at [investor.cree.com/events.cfm](http://investor.cree.com/events.cfm).

Supplemental financial information, including the non-GAAP reconciliation attached to this press release, is available on Cree's website at [investor.cree.com/results.cfm](http://investor.cree.com/results.cfm).

## **About Cree, Inc.**

Cree is leading the LED lighting revolution and making energy-wasting traditional lighting technologies obsolete through the use of energy-efficient, mercury-free LED lighting. Cree is a market-leading innovator of lighting-class LEDs, LED lighting, and semiconductor products for power and radio frequency (RF) applications.

Cree's product families include LED fixtures and bulbs, blue and green LED chips, high-brightness LEDs, lighting-class power LEDs, power-switching devices and RF devices. Cree's products are driving improvements in applications such as general illumination, electronic signs and signals, power supplies and inverters.

For additional product and Company information, please refer to [www.cree.com](http://www.cree.com).

## **Non-GAAP Financial Measures:**

This press release highlights the Company's financial results on both a GAAP and a non-GAAP basis. The GAAP results include certain costs, charges and expenses which are excluded from the non-GAAP results. By publishing the non-GAAP measures, management intends to provide investors with additional information to further analyze the Company's performance, core results and underlying trends. Cree's management evaluates results and makes operating decisions using both GAAP and non-GAAP measures included in this press release. Non-GAAP results are not prepared in accordance with GAAP and non-GAAP information should be considered a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures to their most directly comparable GAAP measures attached to this press release.

## **Forward Looking Statements:**

The schedules attached to this release are an integral part of the release. This press release contains forward-looking statements involving risks and uncertainties, both known and unknown, that may cause actual results to differ materially from those indicated in the forward-looking statements. Actual results, including with respect to our targets and prospects, could differ materially due to a number of factors, including the risk that we may not obtain sufficient orders to achieve our targeted revenues; price competition in key markets; the risk that we or our channel partners are not able to develop and expand customer bases and accurately anticipate demand from end customers, which can result in increased inventory and reduced

orders as we experience wide fluctuations in supply and demand; the risk that our results will suffer if we are unable to balance fluctuations in customer demand and capacity; product mix; risks associated with the ramp-up of production of our new products, and our entry into new business channels different from those in which we have historically operated; the risk that we may experience production difficulties that preclude us from shipping sufficient quantities to meet customer orders or that result in higher production costs and lower margins; the risk that we have an increasingly complex supply chain and its ability to scale to enable maintaining a sufficient supply of raw materials; our ability to lower costs; the risk that customers do not maintain their favorable perception of our brand and products, resulting in lower demand for our products; the risk that retail customers may alter promotional pricing, increase promotion of a competitor's products over our products or reduce their inventory levels, all of which could negatively affect product demand; ongoing uncertainty in global economic conditions, infrastructure development or customer demand that could negatively affect product demand, collectability of receivables and other related matters as consumers and businesses may defer purchases or payments, or default on payments; the risk we may be required to record a significant charge to earnings if our goodwill or amortizable assets become impaired; our ability to complete development and commercialization of products under development, such as our pipeline of improved LED chips, LED components and LED lighting products; risks resulting from the concentration of our business among few customers, including the risk that customers may reduce or cancel orders or fail to honor purchase commitments; risks related to our multi-year warranty periods for LED lighting products; risks associated with acquisitions; the rapid development of new technology and competing products that may impair demand or render our products obsolete; the potential lack of customer acceptance for our products; risks associated with ongoing litigation; and other factors discussed in our filings with the Securities and Exchange Commission (SEC), including our report on Form 10-K for the fiscal year ended June 30, 2013, and subsequent reports filed with the SEC. These forward-looking statements represent Cree's judgment as of the date of this release. Except as required under the U.S. federal securities laws and the rules and regulations of the SEC, Cree disclaims any intent or obligation to update any forward-looking statements after the date of this release, whether as a result of new information, future events, developments, changes in assumptions or otherwise.

Cree<sup>®</sup>, the Cree logo, and XLamp<sup>®</sup> are registered trademarks, and SmartCast<sup>™</sup> and The Biggest Thing Since the Light Bulb<sup>™</sup> are trademarks of Cree, Inc.

[Statement of income \(pdf\)](#)

[Balance sheets \(pdf\)](#)

[Non-GAAP/GAAP reconciliation and disclaimer \(pdf\)](#)

[Results by Segment \(pdf\)](#)

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